West Rand Development Agency
(Registration Number 2005/005372/07)
Annual Financial Statements
for the year ended 30 June 2015

General Information

Country of Incorporation and Domicile	South Africa
Business Address	22 Stubs Street Randfontein 1760
Postal Address	P.O. Box 109 Randfontein 1760
Nature of Business and Principal Activities	The WRDA was created as a focused response to the challenges faced by West Rand Regional municipalities in fulfilling their developmental local government role; and to be the economic development agency for the West Rand region. It was established for the express and sole purpose of assisting the District Municipality to achieve global standards of economic growth and development for all within the jurisdiction of the WRDM. The WRDA is regulated by the Municipal Systems Act (Act 32 of 2000) and the Municipal Finance Management Act (Act 56 of 2003). It was established through Council Resolution and in terms of the new Companies Act of 2008; the organization is a State Owned Company (SOC Ltd) with effect from 1 May 2011.
Directors	S. Mohapi (Chairperson) C. Venter (Deputy Chairperson) Z. Mazibuko M. Ramagaga Q. Nkosi M. Ramodibe T. Sejake D. Don-Pierrot D. Ndlovu T. Mphithikezi (Ex-officio Member - Representative of Shareholder Municipality replaced on 18 March 2015) Z. Mphaphuli (Ex-officio Member - Representative of Shareholder Municipality) D. Thabe (Ex-officio Member - Representative of Shareholder Municipality appointed on 18 March 2015)
Auditors	The Auditor General
Company Secretary	None
Tax reference number	9267870153

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
WRDM	West Rand District Municipality
WRDA	West Rand Development Agency
GDED	Gauteng Department of Economic Development
SARS	South African Revenue Service

Board's Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The directors have reviewed the entity’s cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the West Rand District Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the West Rand District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the board are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page xxx.

The annual financial statements set out on pages 4 to 41, which have been prepared on the going concern basis, were approved by the board on 31 August 2015 and were signed on its behalf by:

Director
Designation

Board of Directors' Report

The Directors submit their report for the year ended 30 June 2015.

1. Incorporation

The entity was incorporated on 01 October 2006 and obtained its certificate to commence business on the same day.

2. Review of Activities

Main Business and Operations

Net deficit of the entity was R 4 062 922 (2014: deficit R 428 863), after taxation of R - (2014: R -).

3. Going Concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is significantly dependent on that the WRDM will continue to procure funding for the ongoing operations of the entity.

The WRDA has embarked on a project development process including the Donaldson Dam and Plastic Factory for the 2015/16 financial year and beyond. This process will take the form of private public partnerships where the WRDA retains ownership of the assets concerned but leases them on a long term basis to the private partners.

4. Subsequent Events

The directors are not aware of any matter or circumstance arising since the end of the financial year.

5. Accounting Policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Standards Board as the prescribed framework by National Treasury.

6. Share Capital and Share Premium

There were no changes in the authorised or issued share capital of the entity during the year under review.

The share premium of R14 578 428 arose in 2008 when 100 ordinary shares with a par value of R1 per share were subscribed for at a value of R14,578,528 represented by the transfer of assets by WRDM to WRDA.

7. Board of Directors

The directors of the entity during the year and to the date of this report are as follows:

Name	Designation
S. Mohapi	Chairperson
C. Venter	Deputy Chairperson
Z. Mazibuko	Member
M. Ramagaga	Member
Q. Nkosi	Member
M. Ramodibe	Member
T. Sejake	Member
D. Don-Pierrot	Member
D. Ndlovu	Member
T. Mphithikezi	(Ex-officio Member - Representative of Shareholder Municipality replaced on 18 March 2015)
Z. Mphaphuli	(Ex-officio Member - Representative of Shareholder Municipality)

Board of Directors' Report

D. Thabe	(Ex-officio Member - Representative of Shareholder Municipality appointed on 18 March 2015)

8. Board Member and Executive Managers Emoluments

	2015		2014	
	Board Fee	**Total package**	**Board Fee**	**Total package**
Non-Executive Members				
S. Mohapi (Chair Person)	56 000	56 000	42 000	42 000
C. Venter (Deputy Chair Person)	31 000	31 000	40 250	40 250
Z. Mazibuko (Member)	9 500	9 500	16 750	16 750
M. Ramagaga (Member)	30 250	30 250	35 250	35 250
Q. Nkosi (Member)	20 500	20 500	27 250	27 250
N. M. Ramodibe (Member)	26 500	26 500	29 750	29 750
T. Sejake (Member)	35 250	35 250	33 750	33 750
D. Don-Pierrot (Member)	28 000	28 000	24 000	24 000
N.B. Ndlovu (Member)	24 000	24 000	8 500	8 500
	261 000	**261 000**	**257 500**	**257 500**

Executive Managers	**2015**		**2014**	
	Salary and Allowances	Total Package	Salary and Allowances	Total Package
M. Gaffane (Chief Executive Officer) *	1 057 756	1 057 756	-	-
S. Mhlongo (Chief Executive Officer) **	-	-	716 872	716 872
	1 057 756	**1 057 756**	**716 872**	**716 872**
	1 318 756	**1 318 756**	**974 372**	**974 372**

* Appointed on 1 August 2014.

** Resigned from 31 March 2014.

9. Corporate Governance

General

The board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the board supports the highest standards of corporate governance and the ongoing development of best practice.

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2009. The board discuss the responsibilities of management in this respect, at Board meetings and monitor the entity's compliance with the code on a three monthly basis.

The salient features of the entity's adoption of the Code is outlined below:

Board of Directors

The Board:
- retains full oversight over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - non-executive directors, all of whom are independent directors as defined in the Code; and
  - executive directors.
- has established a Board Directorship Continuity Programme.

Board of Directors' Report

Chairperson and Chief Executive Officer

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive Officer are separated, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The upper limits of the remuneration of the Chief Executive Officer who is the only executive director of the entity, is determined by the WRDM, and the board will determine the remuneration within the above mentioned limits.

Executive Meetings

The board has met on 5 separate occasions during the financial year. The board schedules to meet at least 4 times per annum.

Non-executive directors have access to all members of management of the entity.

Name of member	Number of meetings attended
S. Mohapi	5/5
C. Venter	5/5
Z. Mazibuko	2/5
M. Ramagaga	3/5
Q. Nkosi	2/5
M. Ramodibe	4/5
T. Sejake	5/5
D. Don-Pierrot	4/5
D. Ndlovu	4/5
T. Mphithikezi	1/5
Z. Mphaphuli	3/5
D. Thabe	2/5

Audit and Risk Committee

In terms of Section 166 of the Municipal Finance Management Act, WRDM, as a parent municipality, must appoint members of the Audit Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that parent municipalities should appoint further members of the entity's audit committees who are not employees of the municipal entity onto the audit committee.

Internal Audit

The entity has outsourced its Internal Audit function to WRDM. This is in compliance with the Municipal Finance Management Act, 2003.

10. Bankers

Standard Bank, Key West Branch, Krugersdorp.

11. Auditors

The Auditor General will continue in office for the next financial period.

12. Transfer of Function - Merafong Flora

During the current year, WRDA entered into an agreement on 24 April 2015 with the WRDM to transfer Merafong Flora function as a whole and as a going concern operation. The transfer includes all the resources, assets, liabilities, rights, obligations, titles and all administrative and other records, where applicable, relating to the project.

Up to 30 June 2015, WRDM exercised oversight power (decision-making capabilities) to govern the financial and operating policies of Merafong Flora so as to benefit from its activities. The effective implementation and transfer period in terms of the Memorandum of Agreement and GRAP 105: *Transfer of functions between entities under common control,* has been determined as 2015/2016 financial year.

Accordingly, all assets, resources, liabilities, rights, obligation, title and administrative records and costs, have been included and accounted for in the WRDM financial statements as at 30 June 2015.

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Receivables from Exchange Transactions	3	218 361	189 794
Cash and Cash Equivalents	4	2 836 461	3 265 140
		3 054 822	**3 454 934**
Non-Current Assets			
Property, Plant and Equipment	5	17 455 059	20 600 795
Intangible Assets	6	53 668	71 537
Deferred Tax	28	-	-
		17 508 727	**20 672 332**
Total Assets		**20 563 549**	**24 127 266**
Liabilities			
Current Liabilities			
Unspent Conditional Grants	8	-	742 209
Payables from Exchange Transactions	7	1 774 648	766 858
VAT payable	25	3 191 286	2 957 662
		4 965 934	**4 466 729**
Total Liabilities		**4 965 934**	**4 466 729**
Net Assets		**15 597 615**	**19 660 537**
Share Capital and Share Premium	9	14 578 528	14 578 528
Accumulated Surplus		1 019 087	5 082 009
Total Net Assets		**15 597 615**	**19 660 537**

The comparative figures have been restated as disclosed in note 27.

* See Note 27

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Interest received		15 546	14 883
Other income	10	579 463	491 729
Total revenue from exchange transactions		**595 009**	**506 612**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	11	4 596 770	3 868 268
Total revenue	12	**5 191 779**	**4 374 880**
Expenditure			
Employee related costs	13	(2 652 185)	(2 037 317)
Depreciation and amortisation	14	(805 713)	(816 976)
Impairment of property, plant and equipment	5&26	(3 098 687)	-
Impairment of receivables	26	-	(265 887)
Repairs and maintenance		(139 639)	(234 717)
General expenses	24	(2 558 477)	(1 285 229)
Inventory write off	26	-	(163 617)
Total expenditure		**(9 254 701)**	**(4 803 743)**
Taxation	15	-	-
Deficit for the year		**(4 062 922)**	**(428 863)**

The comparative figures have been restated as disclosed in note 27.

* See Note 27

Statement of Changes in Net Assets

Figures in Rand	Share capital	Share premium	Total share capital and share premium	Accumulated Surplus	Total net assets
Balance at 01 July 2013 as restated*	**100**	**14 578 428**	**14 578 528**	**5 510 871**	**20 089 399**
Changes in net assets					
Deficit for the year	-	-	-	(428 863)	(428 863)
Total changes	-	-	-	(428 863)	(428 863)
Restated* Balance at 01 July 2014	**100**	**14 578 428**	**14 578 528**	**5 082 009**	**19 660 537**
Changes in net assets					
Deficit for the year	-	-	-	(4 062 922)	(4 062 922)
Total changes	-	-	-	(4 062 922)	(4 062 922)
Balance at 30 June 2015	**100**	**14 578 428**	**14 578 528**	**1 019 087**	**15 597 615**
Note(s)	9	9	9		

The comparative figures have been restated as disclosed in note 27.

* See Note 27

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		550 896	513 733
Grants and subsidies		4 394 200	4 394 200
Total receipts		4 945 096	4 907 933
Payments			
Employee related costs		(2 673 991)	(2 037 317)
Suppliers of goods and services		(1 974 533)	(1 209 843)
Total payments		(4 648 524)	(3 247 160)
Net cash flows from operating activities	17	**296 572**	**1 660 773**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(740 797)	(191 856)
Interest income		15 546	14 883
Net cash flows from investing activities		**(725 251)**	**(176 973)**
Cash flows from financing activities			
Finance lease payments		-	(24 490)
Net increase in cash and cash equivalents		**(428 679)**	**1 459 310**
Cash and cash equivalents at the beginning of the year		3 265 140	1 805 830
Cash and cash equivalents at the end of the year	4	**2 836 461**	**3 265 140**

The comparative figures have been restated as disclosed in note 27 .

* See Note 27

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (see pages 12 & 13 for explanations)
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received (trading)	-	-	**-**	15 546	**15 546**	a
Other income	-	-	**-**	6 059	**6 059**	
Rental of facilities	200 000	(50 000)	**150 000**	32 079	**(117 921)**	b
Recreational	-	275 000	**275 000**	541 325	**266 325**	c
Sale of refuse bags	2 457 000	-	**2 457 000**	-	**(2 457 000)**	d
Total revenue from exchange transactions	**2 657 000**	**225 000**	**2 882 000**	**595 009**	**(2 286 991)**	
Revenue from non-exchange transactions						
Transfer revenue						
WRDM Operational Subsidy	4 394 200	-	**4 394 200**	3 854 561	**(539 639)**	e
GDED Grant Income	-	-	**-**	742 209	**742 209**	f
IDC Grant	6 000 000	(1 750 000)	**4 250 000**	-	**(4 250 000)**	g
Total revenue from non-exchange transactions	**10 394 200**	**(1 750 000)**	**8 644 200**	**4 596 770**	**(4 047 430)**	
Total revenue	**13 051 200**	**(1 525 000)**	**11 526 200**	**5 191 779**	**(6 334 421)**	
Expenditure						
Employee Costs	(4 162 257)	-	**(4 162 257)**	(2 652 185)	**1 510 072**	h
Depreciation and amortisation	(1 741 664)	-	**(1 741 664)**	(805 713)	**935 951**	i
Impairment loss/ Reversal of impairments	-	-	**-**	(3 098 687)	**(3 098 687)**	j/l
Repairs and maintenance	(405 000)	(300 000)	**(705 000)**	(139 639)	**565 361**	k
General Expenses	(2 991 040)	(350 000)	**(3 341 040)**	(2 558 477)	**782 563**	m
Total expenditure	**(9 299 961)**	**(650 000)**	**(9 949 961)**	**(9 254 701)**	**695 260**	
Deficit before taxation	**3 751 239**	**(2 175 000)**	**1 576 239**	**(4 062 922)**	**(5 639 161)**	
Taxation	-	-	**-**	-	**-**	n
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**3 751 239**	**(2 175 000)**	**1 576 239**	**(4 062 922)**	**(5 639 161)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (see pages 12 & 13 for explanations)

Reference to Statement of Financial Performance

(a) Interest earned on the Call Account.

(b) Under collection of budgeted revenue on facilities.

(c) Increase in the number of visitors at the Donaldson Dam.

(d) None operation due to industrial action on property.

(e) Adjustment for VAT output on subsidies received. In terms of section 8(5) of the VAT Act.

(f) Capital grant from 2014 but utilised in the current year at the buy back centre.

(g) IDC Grant - Pre-conditions of the grant not met, hence delayed disbursement of R 4.2 million by IDC.

(h) Under expenditure is as a result of vacant positions not filled or filled later in the financial year.

(i) Incorrect depreciation expense calculation in previous years led to incorrect budgeting for depreciation.

(j) Impairment for the non operating plastic factory, damaged palisade fence at Donaldson Dam and non operating Katlego Crafts facility.

(k) Under expenditure as a result of no operations at plastic factory, the bulk of the repairs and maintenance was budgeted mainly for the plastic factory.

(l) Stolen and lost assets not budgeted for.

(m) Under expenditure as a result of that there were no operations at the plastic factory which has led to a decline on overall expenditure.

(n) Entity has an estimated tax loss where a deferred taxation credit has not been recognised.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (see pages 12 & 13 for explanations)
Statement of Financial Position						
Assets						
Non-Current Assets						
Property, Plant and Equipment	-	790 000	**790 000**	-	**(790 000)**	o
Buildings	-	-	**-**	740 797	**740 797**	e/p
	-	**790 000**	**790 000**	**740 797**	**(49 203)**	

References to Statement of Financial Position

(o) No capital subsidy was received during the year.

(p) Construction of Mohlakeng Buy Back centre financed through GDED grant rolled over from 2013.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (see pages 12 & 13 for explanations)
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	2 657 000	225 000	**2 882 000**	550 895	**(2 331 105)**	b/d
Grants	10 394 200	(1 750 000)	**8 644 200**	4 394 200	**(4 250 000)**	f
	13 051 200	**(1 525 000)**	**11 526 200**	**4 945 095**	**(6 581 105)**	
Payments						
Employee costs	(4 162 257)	-	**(4 162 257)**	(2 673 991)	**1 488 266**	h
Suppliers of goods and services	(3 396 040)	(650 000)	**(4 046 040)**	(1 974 534)	**2 071 506**	k/m
	(7 558 297)	**(650 000)**	**(8 208 297)**	**(4 648 525)**	**3 559 772**	
Net cash flows from operating activities	**5 492 903**	**(2 175 000)**	**3 317 903**	**296 570**	**(3 021 333)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	-	-	**-**	(740 797)	**(740 797)**	p
Interest income	-	-	**-**	15 546	**15 546**	
Net cash flows from investing activities	**-**	**-**	**-**	**(725 251)**	**(725 251)**	
Net increase/(decrease) in cash and cash equivalents	5 492 903	(2 175 000)	**3 317 903**	(428 681)	**(3 746 584)**	
Cash and cash equivalents at the beginning of the year	-	-	**-**	3 265 140	**3 265 140**	
Cash and cash equivalents at the end of the year	**5 492 903**	**(2 175 000)**	**3 317 903**	**2 836 459**	**(481 444)**	

Explanations are provided on pages 12 & 13.

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Interest received (trading)	-	-	-	-		-	15 546		15 546	- %	- %
Other income	-	-	-	-		-	6 059		6 059	- %	- %
Rental of facilities	200 000	(50 000)	150 000	-		150 000	32 079		(117 921)	21 %	16 %
Recreational	-	275 000	275 000	-		275 000	541 325		266 325	197 %	- %
Sale of refuse bags	2 457 000	-	2 457 000	-		2 457 000	-		(2 457 000)	- %	- %
Total revenue (excluding capital transfers and contributions)	**2 657 000**	**225 000**	**2 882 000**	**-**		**2 882 000**	**595 009**		**(2 286 991)**	**21 %**	**22 %**
Employee costs	(4 162 257)	-	(4 162 257)	-	-	(4 162 257)	(2 652 185)	-	1 510 072	64 %	64 %
Depreciation and asset impairment*	(1 741 664)	-	(1 741 664)			(1 741 664)	(3 904 400)	-	(2 162 736)	224 %	224 %
Repairs and maintenance	(405 000)	(300 000)	(705 000)	-	-	(705 000)	(139 639)	-	565 361	20 %	34 %
Other expenditure	(2 991 040)	(350 000)	(3 341 040)	-	-	(3 341 040)	(2 627 814)	-	713 226	79 %	88 %
Total expenditure	**(9 299 961)**	**(650 000)**	**(9 949 961)**	**-**	**-**	**(9 949 961)**	**(9 324 038)**	**-**	**625 923**	**94 %**	**100 %**
Surplus/(Deficit)	**(6 642 961)**	**(425 000)**	**(7 067 961)**	**-**		**(7 067 961)**	**(8 729 029)**		**(1 661 068)**	**124 %**	**131 %**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
WRDM operational Subsidy	4 394 200	-	4 394 200	-		4 394 200	3 854 561		(539 639)	88 %	88 %
GDED Grant Income	-	-	-	-		-	742 209		742 209	- %	- %
IDC Grant	6 000 000	(1 750 000)	4 250 000	-		4 250 000	-		(4 250 000)	- %	- %
Surplus (Deficit) after capital transfers and contributions	**3 751 239**	**(2 175 000)**	**1 576 239**	**-**		**1 576 239**	**(4 132 259)**		**(5 708 498)**	**(262)%**	**(110)%**
Taxation	-	-	-	-		-	-		-	- %	- %
Surplus/(Deficit) for the year	**3 751 239**	**(2 175 000)**	**1 576 239**	**-**		**1 576 239**	**(4 132 259)**		**(5 708 498)**	**(262)%**	**(110)%**

*Non cash movement of depreciation and impairment of property, plant and equipment.

Cash flows

Net cash from (used) operating	5 492 903	(2 175 000)	3 317 903	-		3 317 903	296 572		(3 021 331)	9 %	5 %
Net cash from (used) investing	-	-	-	-		-	(725 251)		(725 251)	- %	- %
Net increase/(decrease) in cash and cash equivalents	**5 492 903**	**(2 175 000)**	**3 317 903**	**-**		**3 317 903**	**(428 679)**		**(3 746 582)**	**(13)%**	**(8)%**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	3 265 140		3 265 140	- %	- %
Cash and cash equivalents at year end	**5 492 903**	**(2 175 000)**	**3 317 903**	**-**		**3 317 903**	**2 836 461**		**481 442**	**85 %**	**52 %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Transfer of functions between entities under common control

Definitions

An acquirer is the entity that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity’s objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

A transferor is the entity that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity‘s objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole entity. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Accounting Policies

1.2 Transfer of functions between entities under common control (continued)

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which entity to the transaction or event is the transferor(s) and which entity is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which entity is the acquirer and which entity is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Assets acquired [transferred] and liabilities assumed [relinquished]

The recognition of assets and liabilities, is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Determining what is part of the transfer of functions transaction

Where the entity and the transferor have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration transferred and the assets acquired and liabilities assumed in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:
- the reasons for the transaction
- the timing of the transaction

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the entity recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the entity can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the entity de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Accounting Policies

1.3 Property, Plant and Equipment

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, Plant and Equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, Plant and Equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	30
Plant and machinery	4-15
Furniture and fixtures	4-18
Office equipment	10
IT equipment	5-17
Security	10-25

Accounting Policies

1.3 Property, Plant and Equipment (continued)

Emergency Equipment	5
Roads	20

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Accounting Policies

1.4 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long term Debtors	Loans and receivables
Receivables from exchange transactions	Loans and receivables
Short term investments	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition and measurement

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Receivables from exchange transactions

1.4 Financial instruments (continued)

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.5 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax asset is recognised for the carry forward balance of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or as an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Accounting Policies

1.6 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.9 Share Capital and Share Premium

Ordinary shares are classified as equity.

Accounting Policies

1.10 Provisions and contingencies

Provisions are recognised when:
- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Contingent assets and contingent liabilities are not recognised.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.13 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Accounting Policies

1.15 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Budget information

The Entity is subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2014 to 30/06/2015.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.19 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Accounting Policies

1.20 Key judgements and estimates

1. Impairment of Property, Plant and Equipment

Property, Plant and Equipment has been assessed for impairment. The recoverable amount of assets at the Plastic Factory and Katlego Crafts centre has been estimated using Fair Value less cost to Sell. Consequently an impairment charge has been recorded in the current year as disclosed in note 5 .

2. Inventory and receivables write off

Management has reviewed the recoverability of receivables and inventory balances related to the Plastic Factory and concluded that these are impaired. In order to achieve fair presentation of the financial statements these unrecoverable balances have been written off retrospectively (per note 27) in line with provisions of GRAP 3: *Accounting policies, changes in accounting estimates and errors.*

3. VAT Output on subsidy

In terms of VAT 419: *Guide for Municipalities* and Interpretation Note 39 : *VAT treatment for public authorities, grants and transfer payments*, the WRDA is deemed as a designated entity in terms of Section 8(5) of the VAT Act. As the deeming provision in section 8(5) was amended so that it only applies to designated entities, any payment to a designated entity by a public authority in respect of its enterprise activities is subject to VAT at the standard rate with effect from 1 April 2005.

Consequently a likely VAT liability on the subsidies and grants received from WRDM has been estimated as from 2010 and recorded as disclosed in note 25. This VAT liability will be settled once negotiations with SARS have been completed in the 2015/2016 financial year.

4. Recognition of Deferred Tax assets

From the income tax computations, WRDA has an estimated tax loss of R 2 273 870 (2014: R 1 316 489), consistently reflecting the loss making status of the Agency. This estimated tax loss has been utilised to off-set the effect of other taxable temporary differences arising from property, plant and equipment. However a rather contingent net deferred tax asset of R 629 406 (2014: R 336 173) has not been recognised on the financial statements as the strategic restructuring plans meant to generate future taxable profits might take some time to implement. It is anticipated that SARS will acknowledge the estimated tax loss once the income tax returns are filed and assessed in the 2015/2016 financial year.

5. Going concern assumption

The financial statements have been prepared on a going concern basis, based on the following:

- Continued support by WRDM in the form of grants and subsidies to fund operations and settle financial obligations.
- Subsequent restructuring of operations at the Plastic Factory and Donaldson Dam through the use of strategic Private Public Partnerships (PPPs) initiatives.
- Committment by shareholders, board of directors and management to improve the corporate governance structures of the Agency.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The agency has not applied the following standards and interpretations, which have been published and are mandatory for the agency's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2015	Not Material
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	Not Material
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	Not Material
• GRAP 107: Mergers	01 April 2015	Not Material
• GRAP 20: Related parties	01 April 2016	Not Material
• IGRAP 11: Consolidation – Special purpose entities	01 April 2015	Not Material
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	Not Material
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015	Not Material
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2015	Not Material
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	Not Material
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	Not Material
• GRAP108: Statutory Receivables	01 April 2016	Not Material
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	Not Material
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	Not Material

3. Receivables from Exchange Transactions

	2015	2014
Capital Prepayment	189 794	189 794
Audit fees payment	28 492	-
Other	75	-
	218 361	**189 794**

Capital prepayment relates to purchase of bailing machine not yet delivered for the Buy Back Centre.

Audit fees receivable represent an amount due, paid to AGSA.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2015	2014
Cash on hand	191	2
Bank balances	2 660 697	2 955 112
Short-term deposits	175 573	310 026
	2 836 461	**3 265 140**

Short term deposits comprise of funds in a call account at Standard Bank, bearing interest at 5.15% (2014: 5.15%). The bank balance is with Standard Bank South Africa.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

4. Cash and Cash Equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2015	**30 June 2014**	**30 June 2015**	**30 June 2014**
Standard Bank - Current account	2 660 697	2 955 112	2 660 697	2 955 112
Standard Bank - Call account	175 573	310 026	175 573	310 026
Total	**2 836 270**	**3 265 138**	**2 836 270**	**3 265 138**

5. Property, Plant and Equipment

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	10 693 880	-	10 693 880	10 693 880	-	10 693 880
Buildings	15 355 301	(13 279 786)	2 075 515	15 355 301	(12 871 058)	2 484 243
Plant and machinery	5 930 399	(5 061 424)	868 975	5 940 583	(2 805 735)	3 134 848
Furniture and fixtures	268 275	(159 592)	108 683	286 246	(142 346)	143 900
Office equipment	-	-	-	22 035	(12 218)	9 817
IT equipment	276 739	(144 142)	132 597	394 754	(151 131)	243 623
Security	4 296 173	(3 251 355)	1 044 818	4 296 173	(2 646 107)	1 650 066
Roads	3 980 918	(3 188 896)	792 022	3 980 918	(3 035 416)	945 502
Electrical reticulation	435 525	(369 536)	65 989	435 525	(72 392)	363 133
Leased infrastructure	88 164	(88 164)	-	88 164	(88 164)	-
Capital work in progress *	1 672 580	-	1 672 580	931 783	-	931 783
Total	**42 997 954**	**(25 542 895)**	**17 455 059**	**42 425 362**	**(21 824 567)**	**20 600 795**

Reconciliation of property, plant and equipment - 2015

	Opening balance	**Additions**	**Depreciation**	**Impairment***	**Total**
Land	10 693 880	-	-	-	10 693 880
Buildings	2 484 243	-	(85 602)	(323 126)	2 075 515
Plant and machinery	3 134 848	-	(494 944)	(1 770 929)	868 975
Furniture and fixtures	143 900	-	(29 709)	(5 508)	108 683
Office equipment	9 817	-	-	(9 817)	-
IT equipment	243 623	-	(43 395)	(67 631)	132 597
Security	1 650 066	-	(68 840)	(536 408)	1 044 818
Roads	945 502	-	(49 728)	(103 752)	792 022
Electrical Reticulation	363 133	-	(15 627)	(281 517)	65 989
Capital work in progess	931 783	740 797	-	-	1 672 580
	20 600 795	**740 797**	**(787 845)**	**(3 098 688)**	**17 455 059**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

5. Property, Plant and Equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Depreciation	Total
Land	10 693 880	-	-	10 693 880
Buildings	2 569 846	-	(85 603)	2 484 243
Plant and machinery	3 417 526	178 149	(460 827)	3 134 848
Furniture and fixtures	174 856	-	(30 956)	143 900
Office equipment	10 893	-	(1 076)	9 817
IT equipment	300 685	-	(57 062)	243 623
Security	1 718 906	-	(68 840)	1 650 066
Roads	995 229	-	(49 727)	945 502
Electrical reticulation	378 759	-	(15 626)	363 133
Leased infrastructure	29 388	-	(29 388)	-
Capital work in progess	918 076	13 707	-	931 783
	21 208 044	**191 856**	**(799 105)**	**20 600 795**

* The capital work in progress relates to the buy back centre which is still in the process of being completed.

* The impairment represents management best estimate of the difference between the carrying amounts and recoverable amounts of Donaldson dam palisade fence, Katlego Cultural Village, Plastic factory and other assets that are damaged beyond repair.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

6. Intangible Assets

	2015			2014		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	111 815	(58 147)	53 668	111 815	(40 278)	71 537

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software	71 537	(17 869)	53 668

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software	89 406	(17 869)	71 537

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

7. Payables from Exchange Transactions

Buy Back Centre capital accruals	602 218	15 626
Plastic Factory capital accruals	327 751	337 815
Security	345 929	-
Professional Fees	212 780	96 330
Printing Services	49 898	-
Advertising	-	23 980
Municipal charges	31 175	58 487
Telephone and mobile	9 037	264
Payroll accruals	17 507	26 507
Other	2 974	10 660
Leave pay provision	175 379	197 189
	1 774 648	**766 858**

8. Unspent Conditional Grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Gauteng Department of Economic Development	-	742 209

Movement during the year

Balance at the beginning of the year	742 209	755 916
Income recognition during the year	(742 209)	(13 707)
	-	**742 209**

These amounts were invested in a ring-fenced investment until utilised in the current year.

The grant was for a plastic recycling project whose aims were for a cleaner environment and job creation. The funds were utilised for purchasing of plant and equipment, provision of allowances for identified cooperative members, skills development for cooperative members and establishment of buyback centres.

9. Share Capital and Share Premium

Issued		
Ordinary	100	100
Share premium	14 578 428	14 578 428
	14 578 528	**14 578 528**

The share premium comprises the equity contribution by the WRDM when assets were transferred on establishment of WRDA.

The assets transferred were identified during transitional provision application of GRAP 17 and Directive 4. The value of the assets was correctly accounted for in accordance with Directive 7: The application of deemed cost on the adoption of standards of GRAP.

10. Other income

Rental of Facilities	32 079	32 079
Recreation facilities	541 325	458 241
Other income	6 059	1 409
	579 463	**491 729**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

11. Government grants and subsidies

Capital grants

WRDM contribution	4 394 200	4 394 200
Less VAT output	(539 639)	(539 639)
Net Revenue	3 854 561	3 854 561
Conditional Grant - Roll over	742 209	13 707
Grants conditions met	**4 596 770**	**3 868 268**

12. Revenue

Interest received	15 546	14 883
Other income	579 463	491 729
Government grants & subsidies	4 596 770	3 868 268
	5 191 779	**4 374 880**

The amount included in revenue arising from exchanges of goods or services are as follows:

Interest received	15 546	14 883
Other income	579 463	491 729
	595 009	**506 612**

The amount included in revenue arising from non-exchange transactions is as follows:
Transfer revenue

Government grants & subsidies	4 596 770	3 868 268

13. Employee related costs

Basic	2 377 917	1 645 139
Workmen's Compensation Annuity	2 225	640
Leave pay provision charge	8 443	134 038
Travel and subsistence	2 600	-
Board fees	261 000	257 500
	2 652 185	**2 037 317**

Included above is the remuneration to the CEO and non-executive directors, disclosed below. Further details of directors remuneration is set out on page 5.

Remuneration of directors and executive managers

Board fees - non-executive directors	261 000	257 500
Basic salary and allowances - executive managers	1 057 756	974 372
	1 318 756	**1 231 872**

14. Depreciation and amortisation

Depreciation	787 845	799 105
Amortisation	17 869	17 869
	805 714	**816 974**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

15. Taxation

Major components of the tax expense

Current		
Taxation	-	-

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting deficit	(4 062 922)	(428 863)
Tax at the applicable tax rate of 28% (2014: 28%)	(1 137 618)	(120 082)
Tax effect of adjustments on taxable income		
Effect of non deductable expenses	1 072 683	197 163
Effect of non taxable income	(207 819)	(3 838)
Effect of estimated tax loss	272 754	(73 243)
	-	**-**

Please refer to the deferred tax note 28.

16. Auditors' remuneration

Fees	261 653	9 791

17. Cash generated from operations

Deficit	(4 062 922)	(428 863)
Adjustments for:		
Depreciation and amortisation	805 713	816 976
Impairment charge	3 098 687	-
Write off of receivables	-	265 887
Conditional Grant income	(742 209)	(13 706)
Interest income	(15 546)	(14 883)
Write off of inventories	-	163 617
Changes in working capital:		
Movement in receivables	(28 567)	22 004
Payables from Exchange Transactions	1 007 791	442 831
Net movement in VAT	233 625	406 910
	296 572	**1 660 773**

18. Commitments

Future capital expenditure relating to property, plant and equipment will be financed by subsidies from WRDM and other investors.

19. Related parties

Relationships

Directors — Refer to directors' report note

The West Rand Development Agency (WRDA) has been established by the West Rand District Municipality (WRDM) and an amount of R4,394,200 has been transferred from the WRDM Budget to the WRDA for the current financial year. The WRDA was established to market and attract investors in the areas of municipality jurisdiction of Merafong Municipality, Mogale City, Randfontein Municipality and Westonaria Municipality.

To the best of the WRDA's knowledge and taking into account all disclosures made, no directors or official has any direct or indirect personal or private business in any matter before the WRDA or acquired or stand to acquire any direct benefit from a contract concluded with the WRDA. All assets contributed by the WRDM were at fair value.

Related party balances

	2015	2014
Randfontein Local Municipality	29 695	57 477
Westonaria Local Municipality	1 479	1 010

20. Risk management

Liquidity risk

The entity’s risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2015**	**2014**
Funds in call accounts	175 573	310 026

Interest rate risk

21. Fruitless and wasteful expenditure

	2015	2014
Opening balance	10 993	-
Add: for the year - Interest on overdue municipal accounts	-	5 726
Add: for the year - Mobile telephone costs (a)	27 872	5 267
Add: for the year - SARS penalties and interest (b)	19 502	-
Add: for the year - Water Expense (c)	222 067	-
Less: Amounts condoned	-	-
	280 434	**10 993**

(a) The mobile telephone costs relate to payments made in error to the former CEO for the period of April 2014 to May 2015.

(b) The SARS penalties and interest relates to late payments of PAYE and VAT and interest charged thereon.

(c) The water expense relates to a burst pipe at Donaldson Dam that went unnoticed for a period of time, which led to the excessive water charge (loss) of R 222 067.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

22. Irregular expenditure

Opening balance	125 320	-
Replacement of electrical cables (Plastic Recycling Factory)	-	121 205
Upgrading of alarm system (after break-in)	-	4 115
Replacement of electrical wiring and parts	89 620	-
	214 940	**125 320**

23. Unauthorised expenditure

No unathorised expenditure as at 30 June 2015.

24. General expenses

Advertising	113 450	60 069
Auditors remuneration	261 653	9 791
Bank charges	12 533	11 559
Computer expenses	4 744	-
Consulting and professional fees	586 429	205 235
Consumables	13 802	10 306
Entertainment	7 243	23 327
Fines and penalties	19 502	-
Lease rentals on operating lease	24 489	4 898
Municipal charges - water, electricity and levies	489 663	225 851
Printing and stationery	70 184	37 699
Protective clothing	23 738	-
Security (Guarding of municipal property)	790 581	538 436
Stock and raw materials utilised	11 504	13 988
Telephone and fax	106 597	122 092
Training	22 365	21 978
	2 558 477	**1 285 229**

25. VAT payable

Vat on Subsidies from WRDM and GDED	3 768 323	3 228 684
Other VAT on income and expenses	(577 037)	(271 022)
	3 191 286	**2 957 662**

The VAT liability on the WRDM and the GDED Subsidies has been determined in terms of Section 8(5) of the VAT Act. Further information is provided in note 1.20(3) under key judgements and estimates.

26. Impairments

Inventories	-	163 817
Receivables	-	265 887
Property, Plant and Equipment	3 098 687	-
	3 098 687	**429 704**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

27. Prior period errors

The prior year comparative figures have been restated to correct a number of misstatements that were subsequently identified during the current year.

Statement of Financial Performance	As Previously Reported	Prior Period Error	Reference	Restated Balance
Interest received	14 883	-		14 883
Government Grant	3 854 561	13 707	(a)	3 868 268
Other Income	490 320	1 409	(b)	491 729
Impairment of receivables	-	(265 887)	(c)	(265 887)
Inventory write off	-	(163 617)	(c)	(163 617)
General Expenses	(1 318 719)	33 490	(n)	(1 285 229)
Employee Costs	(1 932 938)	(104 378)	(d)	(2 037 316)
Depreciation	(1 808 986)	992 010	(e)	(816 976)
Repairs and Maintenance	(234 717)	-		(234 717)
Taxation	706 841	(706 841)	(f)	-
	(228 755)	**(200 107)**		**(428 862)**

Statement of Financial Position	As Previously Reported	Prior Period Error	Reference	Restated Balance
Total assets				
Property , Plant and Equipment	18 836 475	1 764 321	(g)	20 600 796
Intangible assets	67 043	4 494	(g)	71 537
Inventory	163 617	(163 617)	(b)	-
Debtors	265 887	(76 093)	(h)	189 794
Funds in call account	310 026	-		310 026
Bank Balances and cash	2 611 698	343 416	(i)	2 955 114
	22 254 746	**1 872 521**		**24 127 267**

Statement of Financial Position	As Previously Reported	Prior Period Error	Reference	Restated Balance
Liabilities				
Accounts Payable	(341 931)	(424 928)	(j)	(766 859)
Vat Payable	(904 980)	(2 052 682)	(k)	(2 957 662)
Unspent Conditional Grants	(742 209)	-		(742 209)
Deferred Tax	(758 814)	758 814	(f)	-
	(2 747 934)	**(1 718 796)**		**(4 466 730)**
Net Assets	**19 506 812**	**153 725**		**19 660 537**

Equity and reserves	As Previously Reported	Prior Period Error	Reference	Restated Balance
Share Capital and Share Premium	(14 578 528)	-		(14 578 528)
Revaluation Reserve	(1 395 256)	1 395 256	(l)	-
Government Grant Reserve	(3 833 428)	3 833 428	(m)	-
Accumulated Deficit/ (Surplus)	300 400	(5 382 409)		(5 082 009)
	(19 506 812)	**(153 725)**		**(19 660 537)**

27. Prior period errors (continued)

Restated Statement of Accumulated Surplus for 2012/2013	Share Capital	Share Premimum	Total Share Capital and Share Premium	Revaluation reserve	Government Grant Reserve	Total Reserves	Accumulated Surplus	Total Net Assets
Balance at 01 July 2012 - as previousy stated	100	14 578 428	14 578 528	1 618 307	4 532 815	6 151 122	2 233 211	22 962 861
Correction of prior period errors - reclassfication between reserves and accumulated fund	-	-	-	(1 618 307)	(4 532 815)	(6 151 122)	6 151 122	-
Balance at 01 July 2012 - Restated	100	14 578 428	14 578 528	-	-	-	8 384 333	22 962 861
Change in net assets - as previoulsy stated								
Loss for the year	-	-	-	-	-	-	(2 108 286)	(2 108 286)
Off-seting of depreciation on assets purchased using capital grants	-	-	-	-	(699 387)	(699 387)	699 387	-
Off-seting of depreciation on revaled assets	-	-	-	(223 051)	-	(223 051)	223 051	-
Change in net assets - correction of prior period errors								
Reversal of transfers between reserves and accumulated fund	-	-	-	223 051	699 387	922 438	(922 438)	-
Reversal of audit fee accrual (j)	-	-	-	-	-	-	193 882	193 882
Reversal of deferred taxation liability (f)	-	-	-	-	-	-	322 156	322 156
Depreciation on unrecorded assets (g)	-	-	-	-	-	-	(17 600)	(17 600)
Reversal of incorrect payable (o)	-	-	-	-	-	-	26 200	26 200
Reversal of depreciation assets not in use (g)	-	-	-	-	-	-	784 043	784 043
Correction of Vat output on WRDM and GDED Subsidies (k)	-	-	-	-	-	-	(2 073 857)	(2 073 857)
Total Changes	**-**	**-**	**-**	**-**	**-**	**-**	**(2 873 463)**	**(2 873 463)**
Balance at 01 July 2013 - Restated	**100**	**14 578 428**	**14 578 528**	**-**	**-**	**-**	**5 510 871**	**20 089 399**
Reference				(l)	(m)			

The restated balances on 1 July 2013 reconcile with the Statement of Changes in net Assets presented on Page 9.

27. Prior period errors (continued)

Misstatement descriptions

(a). **Conditional Grant**

Correction to recognise grant income utilised for the Buy Back Centre for which conditions were met R13 707.

(b). **Discount received**

Correction of discount received recognised as a liability in error of R1 409.

(c). **Receivables and inventory**

Correction to write off:

- recycling plant raw materials (plastics) which are damaged and no longer usable amounting to R163 617; and

- debtor that is irrecoverable and has been outstanding for more than two years amounting to R265 887.

(d). **Leave provision**

Leave pay provision was understated by R104 378 due to misstated leave days.

(e). **Depreciation**

Correction of depreciation charge computed on cost instead of using the carrying amount over the estimated remaining useful life.

(f). **Deferred tax**

Correction of deferred tax charge recognised as income instead of being an expense arising from a movement in deferred tax balances.

(g). **Property Plant and Equipment and Intangible Assets**

- Correction of depreciation charge computed on cost instead of using the carrying amount over the estimated remaining useful life, R 1 021 195.

- Reversal of depreciation charged on assets not in use, R 784 043.

- Reclassification of plant and machinery not received to debtors, (R 189 794).

- Recognition of asset additions, R 186 449.

- Depreciation on assets recognised, (R 31 680).

- Capital work in progress recognised for buy back centre, R 13 707.

- Correction of amortisation, R 4 494.

(h). **Receivables**

Reclasification of prepayment for property, plant and equipment to debtors R189 794 and and write off of debtor balance irrecoverable R265 887.

(i). **Bank and cash balances**

Correction of bank balance and accruals for payments made of in July 2014 but recorded in June 2014 amounting to R343 416.

Figures in Rand	2015	2014

27. Prior period errors (continued)

(j). **Accounts Payable**

Reversal of audit fees incorrectly accrued in previous period amounting to R193 881 and correction of leave pay provision which was understated by R104 378 due to misstated leave days.

(k). **Vat Payable**

Correction of Vat output on grants and subsidies R2 073 857.

(l). **Revaluation Reserve**

Transfer of Revaluation Reserve to Accumulated Fund in accordance with Accounting Standard Board Directive 7: Deemed Cost, Transitional provisions of GRAP standards and/or Directive 11: Changes in measurement bases following initial adoption of GRAP Standards. The WRDA does not have a policy of revaluing assets.

(m). **Government Grant Reserve**

Government Grant Reserve transferred to accumulated fund in accordance with Accounting Standard Board Directive 4, Transitional Provisions on GRAP Standards. The Government Grant Reserve was initially created in 2012 in accordance with GAMAP 9 standards. The transfer represents a change in accounting policy which should have beeen accounted for retrospectively at the time of adopting GRAP for the first time.

(n). **Correction of lease liability and accrual**

Correction of an error relating to the lease liability and the operating lease expense R 24 490 and a correction of a training expense accrual R 9 000.

(o). **Reversal of incorrect payable**

Reversal of an overstated payable, R17 600.

28. Deferred tax

2015

Make up of Deferred Taxation Balance	Balance at beginning of year	Charge/ (credit) for the year	Balance at end of year
Property, plant and Equipment	87 657	(31 271)	56 386
Provision for leave pay	(55 213)	6 105	(49 108)
Estimated tax loss utilised	(32 444)	25 166	(7 278)
	-	-	-

2014

Make up of Deferred Taxation Balance	Balance at beginning of year	Charge/ (credit) for the year	Balance at end of year
Property, plant and Equipment	62 672	24 985	87 657
Provision for leave pay	(25 987)	(29 226)	(55 213)
Estimated tax loss utilised	(36 685)	4 241	(32 444)
	-	-	-

The entity has an estimated tax loss of R 2 273 870 (2014: R 1 316 489; 2013: R 1 568 728), which is subject to assesment by the tax authorities in the 2015/2016 financial year. A portion of this tax loss amounting to R 25 993 (2014: R 115 871) has been utillised to the extent of reducing the impact of other deferred tax liabilities as indicated above. A contingent deferred tax asset of R 629 406 (2014: R 336 173) has not been recognised on the statement of financial position as its recoverability is uncertain in terms of the provisions of *IAS 12 Income Taxes*.

Further information is disclosed in note 1.20(4) under key judgements and estimates.

Figures in Rand	2015	2014

29. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the board and includes a note to the annual financial statements.

The deviations from supply chain policy and processes are shown in the Irregular Expenses note above.

30. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	28 492	28 492
Cash and cash equivalents	2 836 461	2 836 461
	2 864 953	**2 864 953**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	1 774 648	1 774 648

2014

Financial assets

	At amortised cost	Total
Cash and cash equivalents	3 265 140	3 265 140

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	766 858	766 858

31. Contingencies

Contingent liabilities

During the current year, it was discovered that Vat output on subsidy received from the WRDM and GDED in the prior years had not been completely accounted for in terms of Sec8(5) of the Vat Act.

WRDA has accounted for the error and restated corresponding figures as disclosed in note 27. The Development Agency cannot reliably determine the amount of penalties or interest that would be payable to the Receiver of Revenue as a result of the error.

The VAT accrual and any contingent liabilities will be determined and settled once negotiations with SARS have been completed in the 2015/2016 financial year.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

32. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year expense	261 653	9 791
Amount paid - current year	-	(9 791)
Amount paid - previous years	(249 475)	-
	12 178	**-**

PAYE and UIF

Current year PAYE	539 942	382 520
Current year UIF	21 354	18 251
	561 296	**400 771**

VAT

VAT payable	3 191 286	2 957 662

33. Transfer of Function - Merafong Flora

During the current year, WRDA entered into an agreement on 24 April 2015 with the WRDM to transfer Merafong Flora function as a whole and as a going concern operation. The transfer includes all the resources, assets, liabilities, rights, obligations, titles and all administrative and other records, where applicable, relating to the project.

Up to 30 June 2015, WRDM exercised controlling power (decision-making capabilities) to govern the financial and operating policies of Merafong Flora so as to benefit from its activities. The effective implementation and transfer period in terms of the Memorandum of Agreement and GRAP 105: Transfer of functions between entities under common control, has been determined as 2015/2016 financial year.

Accordingly, all assets, resources, liabilities, rights, obligation, title and administrative records and costs, have been included and accounted for in the WRDM financial statements as at 30 June 2015.